

# Interpretation of Financial Information

The Deputy Director for Program Management and Operations, who also serves as the agency's Chief Operating Officer (COO), has the responsibility for financial management and related activities at CDC. The Director of CDC's Financial Management Office (FMO) reports to the Deputy Director for Program Management and Operations. FMO includes the Accounting, Financial Systems, Legislative, Financial Services, and Budget Branches and the Financial Policy and Internal Quality Assurance Activity.

## Financial Management and Planning

The Financial Management Office has responsibility for many new and ongoing initiatives, such as developing and implementing accounting and financial policies, systems, and reports; prompt payment; budget formulation and execution; improving reliability of financial information; implementing debt collection; and implementing all financial management legislation including these:

- Prompt Payment Act of 1982.
- Federal Managers Financial Integrity Act (FMFIA) of 1982.
- Chief Financial Officers Act of 1990.
- Cash Management Improvement Act of 1990.
- Government Management and Reform Act of 1994.
- Federal Financial Management Improvement Act of 1996.
- Debt Collection Improvement Act of 1996.

## Fiscal Year 2002 Budget

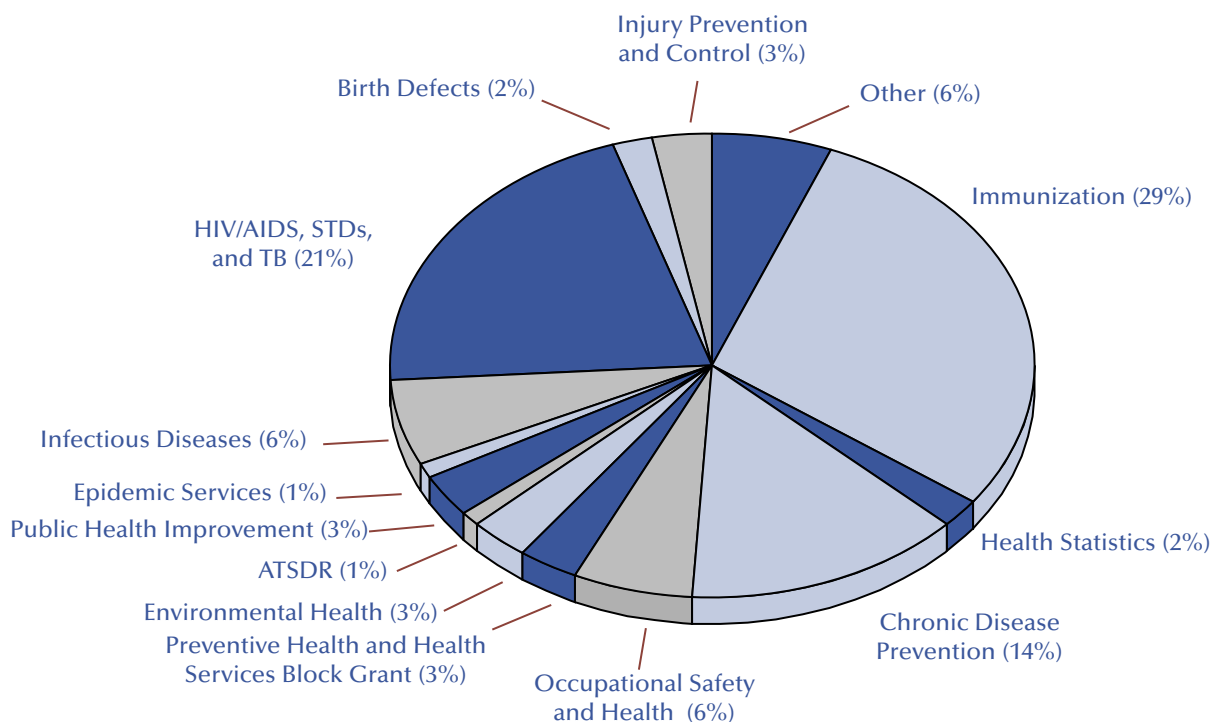
For FY 2002, CDC received a total budget authority of \$5.5 billion and ATSDR received a total budget authority of \$108.5 million. These authorities are derived from these sources:

- Annual discretionary appropriations for the annual operation costs of various CDC programs.

- Discretionary appropriations for the construction of CDC facilities.
- Collections for services provided by various CDC programs.
- Allocation transfer from the Centers for Medicare and Medicaid Services and other transfers from HHS agencies.

The following chart displays CDC's FY 2002 budget arrayed by the Government Performance and Results Act (GPRA) programs:

### Percentage of CDC Funding by Program Area, FY 2002



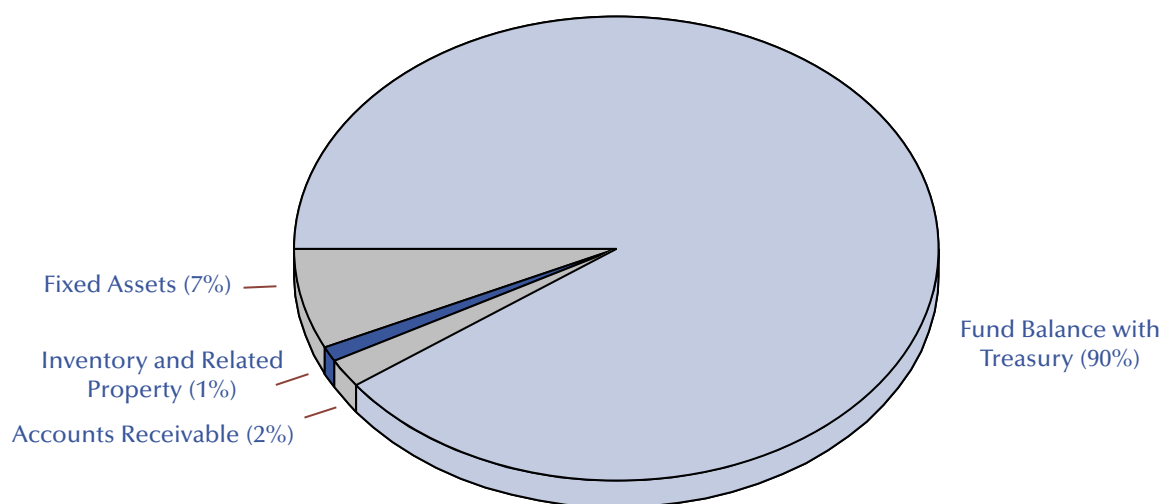
### Analysis of Financial Position (Balance Sheet)

Our analysis of the CDC/ATSDR financial statements follow. To simplify the discussion, we have generally discussed the balances for CDC and ATSDR as a consolidated entity.

#### Assets

CDC had approximately \$5 billion in total assets at the end of FY 2002. Fund Balances with Treasury represents the majority of CDC's assets (see following chart). We combined CDC's entity and nonentity assets for analysis because the nonentity portion of CDC's assets is immaterial. These nonentity assets consist mainly of miscellaneous receipts that result from overpayments to vendors, audit disallowances on grants and contracts, and refunds due to the agency from former employees.

### CDC Assets, FY 2002



### Cash Management and Prompt Payment

The Fund Balance with Treasury, which is the equivalent of “cash in the bank” for the private sector, accounted for 90% of CDC’s and 97% of ATSDR’s assets.

A crucial aspect of managing cash is promptly paying invoices and other payables to minimize the payment of interest and penalties. During FY 2002, CDC paid

- More than 142,000 invoices valued at approximately \$1.6 billion, an increase of 3.6% over the number of invoices in FY 2001.
- 97% of those invoices on time.

### Accounts Receivable

Accounts receivable of \$90 million consists primarily of amounts due to CDC under reimbursable agreements or for user fees. Although uncollectible receivables of \$53,000 with the public are not a material problem for CDC, efforts to collect those receivables consume a significant amount of staff resources. No allowance is considered necessary on the intragovernmental accounts receivable because past experience reflects that write-offs, if any, have been immaterial. CDC pursues the standard process of debt collection activities, including aggressive internal follow-up, salary and administrative offset, and referral to the Department of Justice. In addition, to meet the requirements of the Debt Collection Improvement Act of 1996, CDC refers all eligible debts more than 180 days delinquent to a debt management service center that services those debts with the Treasury Offset Program.

### Inventory and Related Property

CDC maintains a stockpile of vaccines valued at approximately \$30 million. Note 7 provides further information on these components of CDC’s asset balances.

## General Property, Plant, and Equipment

Property, Plant, and Equipment (PP&E) represents more than \$360 million of consolidated assets. CDC's PP&E includes a unique, state-of-the art laboratory, the headquarters building, several other office and laboratory buildings, and equipment.

## Liabilities

CDC and ATSDR have few liabilities (\$775 million) relative to the value of their consolidated assets (\$5 billion). CDC's most significant funded liabilities are its accounts payable of \$258 million, accrued grant liability of \$230 million, and accrued payroll of \$51 million. An accrued grant liability occurs when the year-end grant accrual exceeds advances to grantees outstanding for the year. Accounts payable are primarily for services provided under grants and contracts. Accrued funded payroll is payroll due to employees for services performed in FY 2002 but not paid until the beginning of FY 2003.

## Unfunded Liabilities

A noteworthy item in CDC's liabilities is the amount of unfunded liabilities (also called "liabilities not covered by budgetary resources"). These unfunded liabilities are caused by the inherent difference between the way funds are appropriated in the federal budget process and how they are accounted for under accrual accounting requirements.

For FY 2002, CDC's unfunded liabilities totaled \$167 million and consisted of annual and compensatory leave liability, capital lease liability, and disability compensation that is accruing for current employees and that will require future funding. The federal budget process does not recognize the costs of benefits to be paid in the future to current employees, but instead budgets for those future expenses in the future years when they are actually paid. Consequently, employee expenses (both for the present and future) are recorded in accrual financial statements but are underrepresented in the federal budget.

## Net Position

CDC's Net Position (the difference between assets and liabilities on the balance sheet) is broken down into unexpended appropriations and cumulative results of operations. Cumulative results of operations contain the cumulative balances of unfunded expenses and asset purchases.

## Analysis of Consolidating Statement of Net Cost

CDC's Consolidating Statement of Net Cost consists of program expenses less the funds earned by those programs under reimbursable agreements or user fee operations. Readers should note that the majority of CDC's programs are funded through appropriations rather than through earnings. Therefore, the net cost for most programs will be the majority of their operating expenses.

## Analysis of the Consolidating Statement of Changes in Net Position

The Consolidating Statement of Changes in Net Position begins with the beginning balances for the cumulative results of operations and the unexpended appropriations. The cumulative effect of changes in accounting principles and prior period adjustment, if any, is made to adjust the beginning balances. The FY 2002 cumulative effect of changes in accounting principles and prior period adjustment are discussed in Note 18.

Budgetary and other financing sources such as appropriations used, nonexchange revenues, donations, transfers-in/out, and imputed financing costs are added to the adjusted beginning balance of the cumulative results of operations. Net cost of operations is then subtracted to arrive at the ending cumulative results for operations.

Similarly, budgetary and other financing sources such as appropriations received, appropriations transferred-in/out and appropriations used are added to the adjusted beginning balance of the unexpended appropriations to arrive at the ending unexpended appropriations.

The ending balances of the cumulative results of operations and unexpended appropriations are reported in the balance sheet.

## Limitations of Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S. 3515(b). Although these statements have been prepared from the books and records of the entity in accordance with accounting principles generally accepted in the United States of America (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB), these statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One key implication of this fact is that liabilities cannot be liquidated without legislation that provides the resources to do so.